Illinois-Indiana's Great Lakes Charter Fishing Industry in 2002

Sea Grant
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This publication summarizes the findings of the Great Lakes Sea Grant Network study on the charter industry in the Great Lakes. Individual fact sheets have been developed in conjunction with the Great Lakes Fisheries Leadership Institute for the following regions: Illinois-Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin. The goal of the Great Lakes Fisheries Leadership Institute is to provide the next generation of fisheries leaders for the Great Lakes region with the skills they need to effectively interact with fisheries management agencies. This document was produced by the Ohio Sea Grant College Program as a part of the Great Lakes Fishery Leadership Institute project of the Great Lakes Sea Grant Network.

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Introduction

In the fall of 2002 and winter of 2003 the Great Lakes Sea Grant Network conducted a comprehensive survey of the charter fishing industry of the Great Lakes. The survey is an effort to provide an update on the status, characteristics and economics of the charter fishing business in the Great Lakes and is modeled after a similar survey conducted in 1994. All data reported here are for the year 2002.

Methods

In 2002, there were 64 active licensed Illinois-Indiana captains. This represents a decline of over 66% from the 187 captains in 1994. This is the largest decline on the Great Lakes documented in the 2002 surveys. The Ohio Sea Grant program surveyed the Illinois-Indiana charter-fishing captains in March and April of 2002 using a modified Dillman mail survey technique (Dillman 1978). Non-respondents were sent up to three reminder letters. A total of 22 captains returned surveys with usable data, for a response rate of over 34%.

Business

Of the responding captains, almost 73% were based in Illinois and 27% were based in Indiana. All of the captains' indicated that their homeports were located on Lake Michigan and all of the respondents chartered only on Lake Michigan.

The typical Illinois-Indiana charter-fishing captain in 2002 has been licensed for 12.2 years **(Table 1)**. All of the responding captains operated their own charter firm. Most businesses (91 %) operated one boat, which is typically 31.7 feet long, almost 21.5 years old, and powered by an inboard (91%) or outboard (9%) motor.

The average estimated replacement cost for an Illinois-Indiana charter vessel is $85,875, and replacement cost for onboard business-related equipment is, $12,355. About 23% of the respondents use a vehicle for towing their boat and other charter-related business. The average replacement cost of the vehicle was $23,250; for the trailer it is $3,083. The vehicle is used for boat towing 24% of the time and for other charter business 38% of the time.

Captains

Over 91% of the responding captains were "six-pack" operators, licensed to carry no more than six passengers. About 9% of the responding captains were licensed to carry more than six passengers. Notably, only 18% of the captains rely on the charter business as their primary source of income **(Table 2)**.

Almost 95% of the 22 responding captains are members of a professional charter captains association. The top three cited benefits from membership in a professional charter captains association are advertising, increased business and industry representation to state, federal and local authorities **(Table 3)**.

Table 1
Ownership and Organization of Charter Boat Fishing Businesses In Illinois-Indiana

Characteristics	Percent of Respondents	*Number of Respondents*
Business Ownership		22
Sole proprietorship	68%	15
Partnership	5%	1
Corporation	27%	6
Other	0%	0
Business Organization		22
Owned own boat	95%	21
Leased/rented boat	5%	1
Salaried employee	0%	0
Freelance hire per trip	0%	0
Other arrangement	0%	0

Table 2
Reasons for Entering/Remaining in the Illinois-Indiana's Charter Fishing Business
22 Respondents were asked to check all that apply

Reason	Percent of Respondents
Help people enjoy fishing	82%
Like the work	46%
Secondary source of income	36%
Primary income source	18%
Other	9%

Table 3
Benefits of Membership in a Illinois-Indiana Professional Charter Boat Association
22 Respondents were asked to select the top three reasons.*

Benefit	Percent of Respondents
Advertising	73%
Increased business	46%
Industry representation to state, federal, and local authorities	41%
Can share charters	36%
Drug testing	32%
Get tips about fishing	27%
Education on current issues and regulations	23%
Obtain business operation ideas and advice	23%
Group insurance	14%
Other benefits	14%
Can obtain pricing information	9%

* 95% are members of a professional charter captains' association.

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Table 4
Estimated Trips and Revenues* for Illinois-Indiana's Industry

Fish Species	Number of trips	Average No. Trips/business	Average Charge/Trip	Revenues Earned
Walleye				
Full day	11	.2	$404	$69
Half day	4	<.1	310	19
Steelhead				
Full day	64	1.0	414	414
Half day	39	.6	299	182
Smallmouth bass				
Full day	0	0	na[4]	na
Half day	0	0	na	na
Lake trout and Salmon				
Full day	341	5.3	436	2,324
Half day	2503	39.1	319	12,476
Yellow perch				
Full day	0	0	na	na
Half day	0	0	na	na
Subtotals				
Full day	416	6.5		2,807
Half day	2,546	39.8		12,677
Totals	2,962	46.3		$15,484

* *The numbers of trips are extrapolations of respondent trip rates applied to the total population of Illinois-Indiana charter captains. Revenues are calculated from the average number of trips per business multiplied by the average charge per trip.*

Table 5
Services Offered by Illinois-Indiana Charter Boat Operators

	------------Percent of Respondents------------		
Service or Provision	Included in Base Charter Fee	Included for Additional Fee	Number of Respondents
Tackle	100%	0%	22
Ice	95%	0%	19
Fish Cleaning	73%	0%	22
Bait	68%	0%	19
Photos/Video	53%	7%	15
Lodging Food	14%	43%	14

Table 6
Average Annual Operating Costs for Illinois-Indiana's Boat-Owning Captains
20 Respondents

Item	Expense
Fuel/Oil	$2,014
Dockage	2,272
Equipment repair	1,159
Boat maintenance & repair	1,138
Boat storage fees	1,047
Labor (hired)	979
Insurance	897
Miscellaneous	553
Office & communications	374
Boat repair not covered by insurance	298
License fees	222
Drug testing/Professional dues	105
Boat launch fees	18
Total Operating Costs	**$13,518**

Trips

Responding captains average 6.5 full-day and almost 40 half-day paid charter trips per year. Most (96%) of these are for lake trout & salmon, about 3% for steelhead and less than 1% are for walleye **(Table 4)**. Applying the response data to the total population of 64 active captains yields and estimated 2,962 charter trips of which 14 % were full day and 86% were half-day trips.

June is the busiest month. Captains report almost 29% of all trips taken were in June. This was followed by July (23% of all trips), May and August (each with 18% of the trips). Responding captains reported 11% of the total trips were taken in September, less than 2% of all trips were taken in April, and less than 1% of all reported trips were taken in October or March.

Charter fees vary according to target species, length of the charter, and services offered. The most popular trip was the half-day lake trout and salmon charter; its cost averaged $380 per boat (range $240 to $520). Half-day trips were defined as trips lasting less than seven hours.

Services and Provisions

Most charter businesses provide tackle, ice, fish cleaning and bait as part of their standard charter trip service. Some captains offered trip photos/videos or lodging and food for an additional fee **(Table 5)**.

Costs and Returns

For boat owning captains, the largest annual operating expenses were boat fuel, boat dockage, and equipment repair **(Table 6)**. Boat loan payments are a high cash outlay but are not part of operating costs.

The average cash requirement to operate the charter firm includes the operating expenses plus the boat loan payments. Average annual boat loan payments including principal and interest are $4,400 **(Table 7)**. The average annual cost to operate an Illinois-Indiana charter firm is $17,918 for those making boat loan payments and $13,518 for those who do not. This means that the typical charter firm that owns and operates a single vessel must generate sales of either $17,918 or $13,518 just to meet the cash needs of the firm depending on whether or not their boat is paid off.

Estimated average annual revenues are $15,484. The result is a net negative cash flow of -($2,434) for firms making boat loan payments and a positive cash flow of $1,966 for firms not making boat loan payments. Depending on the situation, those firms with a positive cash flow could pay the day-to-day bills to operate the charter business from the revenues earned from chartering.

Economic costs are all the costs of operating the charter firm. The economic costs include operating costs plus capital costs. Boat loan costs are a cash requirement if a loan exists, but are not part of the economic costs. Capital costs include depreciation of the boat, and the opportunity cost of owning a boat instead of investing in stocks, bonds, or some other enterprise.

The average annual depreciation reported by responding captains was $2,847. Estimated replacement cost of the boat ($85,875) and equipment ($12,355) totals $98,230. Interest costs based on 5% of this value are $4,912. Thus the capital cost (depreciation + interest) is $7,759. The economic cost to operate a typical Illinois-

Indiana charter firm is $21,277 for a firm depreciating a vessel and $18,430 for a firm with a fully depreciated vessel. Any revenue in excess of these figures is the return to owner labor and management.

To provide a positive return to the operating captain for time and labor, an average Illinois-Indiana charter business would have had to generate sales exceeding $21,277 or $18,430 to cover the average operating and capital costs. Depending on the depreciation and boat loan situation, the average Illinois-Indiana charter firm operated at a net negative return of either (-$5,793) or a negative (-$2,946) for the owners time and labor. At an average price of $319 for a half day salmon/lake trout charter a captain would have to run 67 or 58 half day salmon/lake trout trips to cover average operating and capital costs.

Promotion

Approximately 60% of Illinois-Indiana charter customers come from over 50 miles or further away from the charter firm's homeport bringing nature based tourism dollars into the local lakefront community.

Captains used various methods of marketing and rated them for effectiveness on a scale of 1 (not effective) to 3 (very effective) **(Table 8)**. Two advertising methods that we included in the 2002 survey that were not in the 1994 survey were a "world wide web site" and "tourism promotion agency publications/web site." Captains consider word of mouth, brochures, and direct mailings the most effective means of advertising. Over 94% of the respondents use word of mouth, 77% use brochures and 50% use direct mail for advertising. Additionally, 64% of the respondents use a web site for advertising.

Lake Information

About 53% of 15 responding captains utilize the Great Lakes Forecasting System web site ***(superior.eng.ohio-state.edu)*** and 70% of 20 respondents use the Sea Grant Coastwatch web site ***(coastwatch.msu.edu)*** for information on lake waves, water currents, surface temperatures and lake status. Those accessing these web sites use them to make decisions, improve charter safety, and find fish.

Industry Trends and the Future

Of the 70 licensed captains identified in 2002, six were out of business or not actively chartering leaving an estimated 64 active captains. All of these captains were boat owning/leasing charter firms that made an estimated 2,962 charter trips in 2002 compared to an estimated 8,147 trips made by 173 active charter firms in 1994. In 2002, the 64 charter captains generated an estimated $1 million in gross revenues (64 firms x $15,484 per firm). This is compared to the inflation adjusted estimated $3 million in gross revenues generated by 187 active captains in 1994 (173 firms x $16,841 plus 13 captains for hire x $6,174) (Lichtkoppler et. al. 1996).

Captains were asked to select the three most important problems facing the charter industry **(Table 9)**. The top concern by far was the economy followed by boating equipment costs, poor weather/climate, and fish consumption advisories. It is interesting to note that these concerns are outside the control of individual charter captains.

Table 7
Annual Cash Flow of Illinois-Indiana's Average Charter Firm

Income/Expenses	Businesses WITH Boat Loan Payments	Businesses WITHOUT Boat Loan Payments	No. of Respondents
Average Revenue	$15,484[1]	$15,484[1]	18
Cash Flow Needs			
Average operating costs	13,518[2]	13,518[2]	20
Boat loan payments	4,400[3]	0	6
Cash Needed	17,918	13,518	
Net Cash Flow	**-($2,434)**	**$1,966**	
Economic Cost			
Average operating cost	13,518	13,518	
Capital costs			
Interest Costs	4,912	4,912	
Depreciation	2,847[4]	0	10
Total Economic Cost	$21,277	$18,430	
Net Return to Operator	-($5,793)	-($2,946)	

[1] Average revenues are based on 18 respondents
[2] Average operating costs are based on 20 respondents
[3] Six respondents reported boat loan payments
[4] Ten respondents reported depreciation costs

Table 8
Methods of Advertising Used by Illinois-Indiana's Charter Fishing Businesses
22 Respondents

Advertising Method	Percent of Respondents	Number of Respondents	Effectiveness*
Word of mouth	96%	21	2.7
Brochures	91%	20	2.2
Website	64%	14	2.1
Direct mailings	50%	11	2.3
Charter association publications	50%	11	1.9
Sport & travel shows	50%	11	1.6
Signs	46%	10	2.0
Newspaper ads	40%	9	2.0
Newspaper ads	40%	9	2.0
Tourism promotion agency	36%	8	1.5
Telephone directory	27%	6	1.7
Chamber of commerce publications	14%	3	2.0
Magazine ads	9%	2	1.5
Other	0%	0	na

*Scale = 1 (not effective) to 3 (very effective)

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With almost one-third of the respondents planning to quit the business and firms not making a positive net return to the operators time and labor a continuing decline in the number of Illinois-Indiana charter firms is expected **(TABLE 10)**. Additionally, the remaining charter firms made slightly fewer trips per firm in 2002 (46.3) than in 1994 (47.1). Most captains (64%) plan to increase the number of trips they make over the next five years and over 36% plan to increase their charter fees.

Strategies for Charter Businesses

It is a good idea to occasionally examine your charter business management with an eye to improvement. Results of the 2002 Great Lakes charter captain surveys suggest that to increase future profitability, charter captains should reduce expenses, increase revenues and aggressively market their industry.

Refinancing your boat at a lower interest rate, holding onto an older paid off boat in good condition or buying a newer boat at a favorable price to avoid large repair bills may be ways to reduce your expenses.

The most direct ways to increase revenues is to increase the price of and number of charter trips that are made and by offering additional services such as executive charters, or dive charter trips. Increasing your prices may or may not be possible depending on the demand and the specific market where you operate. Some captains increased the number of trips they make by following the seasonal nature of the fishery and fishing out of the “hot” ports at different times of the angling season. Half-day trips may be a way to lower costs to clients and increase the total number of trips made.

Captains should carefully market their product (a nature based tourism experience on a world class resource) and try to expand the client base to include the growing number of middle aged, nature-experience tourists with above average disposable incomes. Captains should seek ways to expand the client base by using industry-wide marketing efforts or by cooperating with local, state, and regional tourism bureaus.

Marketing toward non-traditional customers (i.e. women and minorities) may present opportunities for increased business as does marketing executive, fly-fishing, or other special charters. Captains may also want to consider differential pricing of charters to even out charter activity. Differential pricing may help to increase charter trip activity in the spring and fall “shoulder” seasons.

Captains can continue to build on a positive professional image of the charter industry by stressing safety, effective efficient angling opportunities, a higher than average catch rate and a “world class Great Lake angling experience” in their marketing efforts.

Captains should consider membership in a professional charter captain’s organization. Belonging to a professional organization allows members to work with decision makers, fishery managers, and regulators from an organized power base.

References

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Table 9
Concerns of the Lake Michigan Charter Fishing Industry
22 Respondents

Concerns	Percent of Respondents
The economy	82%
Boating equipment and operating costs	32%
Poor weather/climate	32%
Fish consumption advisories	32%
Drawing clients	27%
Impacts of exotic species (zebra mussels)	23%
Government regulations	23%
Illegal fishing practices	18%
Fisheries management	15%
Lack of fish/reduced abundance	14%
Poor weather forecasting	9%
Changes in forage fish populations	9%
Lack of information on the fishery	9%
Toxic contaminants	5%
Un-sportsmanlike behavior of captains	5%
Un-sportsmanlike behavior of anglers	5%
Lack of one-day nonresident fishing license	5%
Other problems	5%
Over harvest of fish stocks	0%
Overcrowding of the fishery	0%
Changes in water currents	0%
Avian botulism	0%

Table 10
Five-Year Plans of Illinois-Indiana Lake Michigan Charter Captains
22 Respondents

Activity	Percent of Respondents
Increase of number of annual trips	64%
Increase prices of charter services	36%
Quit the charter business	32%
Buy/Operate newer boat	27%
Buy/Operate bigger boat	18%
Branch out into other fishing related businesses	14%
Expand into multi-activity and/or non-fishing charters	14%
Decrease number of annual trips	9%
Hire additional first mate(s)	9%
No major changes	9%
Hire additional charter captain(s)	9%
Other	9%
Buy/Operate an additional boat(s)	5%
Buy/Own charter boat	5%
Decrease Prices	0%